



DEPARTMENT OF
FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

December 22, 2008

Mr. Craig Buehler, Chief
California Department of Justice
Bureau of Investigation and Intelligence
1102 Q Street, 6th Floor
Sacramento, CA 95811

Dear Mr. Buehler:

Final Audit Report—California Department of Justice, High Technology Crime Database Grant Award HT06069504

Enclosed is the final report on the audit of the California Department of Justice's (DOJ) High Technology Crime Database grant award HT06069504 for the period July 1, 2006 through June 30, 2007. The audit was performed under an interagency agreement between the DOJ and the Department of Finance, Office of State Audits and Evaluations (Finance).

Our audit included a review of grant revenue and expenditures, internal control, and compliance with grant award provisions. We found that DOJ's revenue and expenditures for the grant award were fairly stated. Because our audit identified no findings, we are issuing this report as final. In accordance with Finance's policy of increased transparency, this report will be placed on the Finance website.

We appreciate the assistance and cooperation of DOJ staff during our audit. If you have any questions regarding this report, please contact Mary Kelly, Manager, at (916) 322-2985.

Sincerely,
Original signed by:

David Botelho, Chief
Office of State Audits and Evaluations

Enclosure

cc: Mr. James Humes, Chief Deputy Attorney General, Office of the Attorney General
Mr. Andy Kraus, Director, Office of Program Review and Audits, California
Department of Justice
Mr. Richard Lopes, Deputy Director, Division of Law Enforcement, California
Department of Justice
Ms. Sue Johnsrud, Director, Division of Administrative Support, California
Department of Justice
Ms. Karen Sherwood, Special Agent-In-Charge, Bureau of Investigation and Intelligence,
California Department of Justice
Ms. Deborah Merrill, Accounting Office, California Department of Justice
Mr. Kirby Everhart, Chief, Crime and Gangs Branch, Governor's Office of
Emergency Services

A GRANT AUDIT

California Department of Justice
High Technology Crime Database
Grant Award HT06069504
For the Period July 1, 2006
through June 30, 2007

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE AUDIT TEAM

Mary Kelly, CPA
Manager

Staff

Alex Balandra

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814
(916) 322-2985

TABLE OF CONTENTS

Preface	iv
Independent Auditor's Report	1
Statement of Budgeted, Claimed, and Allowed Expenditures	3
Notes to the Statement of Budgeted, Claimed, and Allowed Expenditures	4

PREFACE

The Department of Finance, Office of State Audits and Evaluations, performed this grant audit under an interagency agreement with the California Department of Justice (DOJ). The purpose of this audit was to determine whether DOJ complied with the Governor's Office of Emergency Services' (OES) High Technology Crime Database grant award.

The audit objectives were as follows:

- To determine whether the DOJ appropriately used state grant funds as intended and specified in the grant award.
- To determine whether DOJ's internal control allows for the accurate and timely development of accounting data needed to produce the *Statement of Budgeted, Claimed, and Allowed Expenditures*.
- To verify DOJ's compliance with applicable laws, regulations, and award requirements.
- To provide, as necessary, recommendations regarding the eligibility of funding and improving internal control.

This report is intended for the information and use of DOJ and OES management and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.



INDEPENDENT AUDITOR'S REPORT

Mr. Craig Buehler, Chief
California Department of Justice
Criminal Intelligence Bureau
1102 Q Street
Sacramento, CA 95811

We have audited the accompanying *Statement of Budgeted, Claimed, and Allowed Expenditures* (Statement) of the California Department of Justice (DOJ) in accordance with the Governor's Office of Emergency Services' (OES) grant award HT06069504 for the period July 1, 2006 through June 30, 2007. The Statement was prepared from DOJ's records and is the responsibility of DOJ's management. Our responsibility is to express an opinion on the Statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In connection with our audit, there are certain disclosures required by *Government Auditing Standards*. The Department of Finance (Finance) is not independent of the audited entity, as both are part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. These activities impair independence. However, sufficient safeguards exist for readers of this report to rely on the information contained herein.

The accompanying Statement was prepared, as described in Note 1, for the purpose of determining DOJ's fiscal compliance with the requirements of grant award HT06069504. The Statement is not intended to be a presentation of DOJ's total revenue and expenditures.

In our opinion, the Statement referred to presents fairly in all material respects, the budgeted, claimed, and allowed grant award HT06069504 for the period of July 1, 2006 through June 30, 2007, in conformity with accounting principles generally accepted in the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DOJ's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects management or the employees' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of DOJ's financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether DOJ's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of DOJ management, those charged with governance, and the Legislature, and is not intended to be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations
(916) 322-2985

November 3, 2008

STATEMENT OF BUDGETED, CLAIMED, AND ALLOWED EXPENDITURES

California Department of Justice
High Technology Crime Database
Grant Award HT06069504
For the Period July 1, 2006 through June 30, 2007

	<u>Budgeted</u>	<u>Claimed</u>	<u>Allowed*</u>	<u>Questioned</u>
Grant Funds				
Operating Expenses:				
Consultant Expenses	\$ 57,455	\$ 57,886	\$ 57,886	\$ 0
Equipment, Maintenance, Applications, Licenses	1,420	976	976	0
Audit Costs	1,125	1,125	1,125	0
Total Grant Funds	<u>\$ 60,000</u>	<u>\$ 59,987</u>	<u>\$ 59,987</u>	<u>\$ 0</u>
Match (Note 2)				
Personal Services	\$ 15,000	\$ 15,000	\$ 15,000	\$ 0
Total Match Funds	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 0</u>

* Allowed amounts are based on the results of audit tests.

The accompanying notes are an integral part of this statement.

NOTES TO THE STATEMENT OF BUDGETED, CLAIMED, AND ALLOWED EXPENDITURES

California Department of Justice
High Technology Crime Database
Grant Award HT06069504
For the Period July 1, 2006 through June 30, 2007

NOTE 1 Summary of Significant Accounting Policies

A. Definition of the Reporting Entity

The constitutional office of the Attorney General, as chief law officer of the state, has the responsibility to see that the laws of California are uniformly and adequately enforced. This responsibility is fulfilled through the diverse programs of the California Department of Justice (DOJ).

The DOJ is responsible for providing skillful and efficient legal services on behalf of the people of California. The Attorney General represents the people in all matters before the Appellate and Supreme Courts of California and the United States; serves as legal counsel to state officers, boards, commissions, and departments; represents the people in actions to protect the environment and to enforce consumer, antitrust, and civil rights laws; and assists district attorneys in the administration of justice.

The DOJ also coordinates efforts to address the statewide narcotic enforcement problem; assists local law enforcement in the investigation and analysis of crimes; provides person and property identification and information services to criminal justice agencies; supports the telecommunication and data processing needs of the California criminal justice community; and pursues projects designed to protect the people of California from fraudulent, unfair, and illegal acts.

B. Program Information

The High Technology Crime Database project, via the intelligence system, is intended to assist local, state, and federal law enforcement agencies within the five regional task forces that comprise the High Technology Theft Apprehension and Prosecution Program. The system maintains and provides information to assist in criminal investigations and

other related law enforcement operation needs to successfully combat high technology.

Funds allocated for this project are intended to provide for the continued operation of a reliable and secure statewide high tech crime intelligence system which will assist in the identification and tracking of individuals involved in high tech crimes and incidents; ensure maintenance of connectivity to the task force and identity theft unit end users; and support regional operations through funding of the database, equipment, and technical support.

The DOJ was awarded a \$60,000 grant award to maintain the statewide high technology crime database. The term of the grant was July 1, 2006 through June 30, 2007, but it was not fully liquidated until October 2007.

C. Basis of Presentation

We prepared the *Statement of Budgeted, Claimed, and Allowed Expenditures* (Statement) from DOJ's accounts and financial transactions. The Statement summarizes DOJ's expenditures pertaining to the grant award. The Statement is not intended to represent all of DOJ's expenditures, but summarizes only DOJ's transactions pertaining to grant award HT06069504.

D. Basis of Accounting

The DOJ's accounts are maintained on a modified accrual basis and in accordance with the principles of fund accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred.

NOTE 2 Matching Fund Requirements

The grant award required DOJ to provide matching funds equal to \$15,000. Accordingly, DOJ agreed to provide a cash match of \$15,000 and provided personnel services of equal value to augment the project. The DOJ requested, and was reimbursed \$59,987 from the \$60,000 grant award.